

DELMAR SCHOOL DISTRICT
AGREED-UPON PROCEDURES ON CONSTRUCTION PROJECTS
FOR THE YEAR ENDED JUNE 30, 2005

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dr. David Ring, Jr.
Delmar School District
200 N. Eighth Street
Delmar, Delaware 19940

Subject: Delmar School District Construction Projects

We have performed the procedures enumerated below, which were agreed to by Delmar School District; State of Delaware Auditor of Accounts; and the State of Delaware, Department of Education; solely to assist the specified parties with respect to determining the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by their District for the year ended June 30, 2005, included in Exhibit A. Delmar School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards* [GAS (2003)] issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by the GAS (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine whether the school district complied with any recommendations made in the prior fiscal year's construction project engagement.

There was no construction project agreed-upon procedures engagement for the fiscal year ended June 30, 2004.

2. Complete the State of Delaware Auditor of Accounts construction program and project checklists to determine whether the school district's construction project records and files were in compliance and expenditures were made in accordance with the intent of the project scope mandated by the General Assembly, the Department of Education and the Local Board of Education.

Except for the following findings, our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

- 05-01 FINDING - During completion of Delmar School District's construction program and project checklist for the renovations to the Delmar Jr./Sr. High School, it was noted that the state and local project funds were inappropriately expended. The certificate of necessity authorized funding for planning, construction, and equipping of renovations to the existing Delmar Jr./Sr. High School, including the addition of six classrooms and a 1500 square foot addition to the cafeteria. Title 29 Del. C., Section 7415 requires that funds appropriated by an authorization act be used only for the costs of the projects set forth in such act.

Upon testing of a sample of expenditures, five of the twelve expenditures were not within the project scope set forth in the certificate of necessity. Those funds were used to pave the new parking lot and driveway located near the chorus/band room and for installation of a dust and fume collection system in the Technical, Shop, and Agri-science Lab. The five expenditures total \$ 48,583.09 and were charged to appropriation 7510.

RECOMMENDATION - Delmar School District should repay appropriation 7510 \$ 48,583.09.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"It continues to be the District's decision that despite the study and findings conducted by the Auditor there is strong opposition to Recommendation 0501. The present school superintendent was not in this position during the construction project; however permission to use monies from the original CN for 2-projects that included pavement and the installation of an exhaust system was approved, regardless of these projects not being listed in the original CN, and therefore continued research from the District will be sought out to support its opposition."

INDEPENDENT ACCOUNTANT'S COMMENT

As of June 26, 2006, the District had not shown adequate documentation that these expenditures were within the project scope set forth in the certificate of necessity.

- 05-02 FINDING - During completion of Delmar School District's construction program and project checklists for the renovations to the Delmar Jr./Sr. High School, it was noted that the professional service contract with George, Miles, and Buhr, Inc. did not contain a contingency fee prohibition provision. Budget and Accounting Policy Manual VI.C.3a(3) and 29 Del. C. 6903(b) require that each contract for professional services contain a prohibition against contingency fees and that the District has the right to terminate the agreement for violation of this provision.

RECOMMENDATION - Procedures should be established that ensure Delmar School District's professional service contracts contain a prohibition against contingency fees provision.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The Superintendent shared this recommendation with the support staff assigned to construction and will make sure that all future service contracts will contain the proper information related to a contingency fee provision."

3. Be alert to situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds.

During completion of the construction program and project checklists, no fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds were noted.

4. Prepare the school district's Schedule of Construction Projects Inspected for Fiscal Year 2005.

See Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Delmar School District management and Board Members, Department of Education, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, Department of Finance, and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002 (d), this report is a public record and its distribution is not limited.

Georgetown, Delaware
April 28, 2006

EXHIBIT A

**DELMAR SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS INSPECTED
FOR THE YEAR ENDED JUNE 30, 2005**

PROJECT NAME	YEAR	ORIGINAL FUNDING AMOUNT	DEAUTH./ FUNDING AMOUNT	TOTAL PROJ. FUND. LIFE TO DATE	EXPENDED CURRENT FY	EXPENDED PRIOR FY	TOTAL PROJ. EXPEND. LIFE TO DATE	TOTAL UNSPENT
JR./SR. HIGH SCHOOL RENOVATIONS	2005	\$ 1,575,000	\$ -	\$ 1,575,000	\$ 140,691	\$ -	\$ 140,691	\$ 1,434,309
TOTALS		\$ 1,575,000	\$ -	\$ 1,575,000	\$ 140,691	\$ -	\$ 140,691	\$ 1,434,309

Note: The current year and life to date expenditures for the Jr./Sr. High School renovations project include the questioned costs in finding 05-01.

See independent accountant's report on applying agreed-upon procedures.